

Frequently Asked Questions (FAQs)

on Bank Indonesia Circular Letter Number 10/44/DPM dated December 10, 2008,
concerning Procedures of Repurchase Agreement (Repo) Transaction of Government
Sharia Securities (SBSN) with Bank Indonesia

Q. What is Repo SBSN?

- A. Repo SBSN is a SBSN selling transaction by Bank to Bank Indonesia with a commitment to repurchase at a price and term as agreed in Sharia Standing Facilities

Q. What are the characteristics of Repo SBSN?

- A. The characteristics of Repo SBSN are :
1. using *al bai'* (selling buying) contract enclosed with *al wa'ad* (commitment) by Bank to Bank Indonesia in separated document to repurchase the SBSN at a term and price as agreed.
 2. with a maximum maturity of 14 (fourteen) calendar days.
 3. with a repo SBSN fee at the rate of BI-Rate + a margin of 50 (fifty) bps.

Q. Who may submit Repo SBSN to Bank Indonesia?

- A. Any Bank (BUS/UUS) may submit Repo SBSN to Bank Indonesia for its own behalf if :
- the Bank is not being under imposition of sanction of temporary termination to participate in OMO activities.
 - the Bank has signed up a Commitment (*wa'ad*) to Repurchase SBSN in Repo SBSN and submitted supporting requisite documents to Bank Indonesia.

Q. What are the requirements of SBSN tradable under repo?

- A. The SBSN under repo shall be :
1. the types and series tradable under repo as stipulated by Bank Indonesia;
 2. registered in Trading Account in the BI-SSSS; and
 3. with remaining days to maturity of no less than 10 (ten) business days since 1 (one) day after Repo SBSN maturity.

Q. When is the Repo SBSN submission window time?

- A. Repo SBSN may be submitted at :
- 4.00 p.m. up to 5.00 p.m. (western Indonesia standard time) every business day if submitted through the BI-SSSS; or

12.00 p.m. ...

- 12.00 p.m. up to 4.00 p.m. (western Indonesia standard time) every business day if submitted by letter.

Q. How is the mechanism of Repo SBSN settlement?

A. The Repo SBSN settlement is conducted by the mechanism of transaction by transaction settlement (gross to gross) and delivery versus payment.

. The Repo SBSN settlement comprises two stages as follows.

1. SBSN selling settlement (first leg)

It will be conducted after Repo SBSN window time closes, with calculation as follows.

$$\text{First Leg Settlement Value} = \left\{ \left(\text{Nominal Value of SBSN under Repo} \right) \times \left(\text{Price} - \text{Haircut} \right) \right\} + \text{Accrued SBSN coupon}$$

where the calculation of accrued SBSN coupon is based on actual number of days (actual per actual).

2. SBSN repurchase settlement (second leg)

It will be automatically executed when the BI-SSSS opens on Repo SBSN maturity date, with calculation as follows.

$$\text{Second Leg Settlement Value} = \frac{\text{First Leg Settlement Value}}{\text{Value}} + \frac{\text{SBSN Repo Fee}}{\text{Fee}} \times \left(\frac{t}{360} \right)$$

where t = number of Repo SBSN calendar days

In the event of any payment of SBSN coupon within the period of Repo SBSN, it shall reduce the second leg settlement value.

Q. In what cases will a BUS or UUS be imposed sanctions?

A. Any BUS or UUS will be imposed sanctions if its Repo SBSN settlement, either the first leg or second leg settlement, is declared cancelled.

Q. In what forms will those sanctions be imposed?

A. Those sanctions will be imposed in the form of :

- written warning; and
- financial penalty of 1⁰/₀₀ (one per one thousand) of the nominal value of Repo SBSN declared cancelled with a maximum amount of Rp1,000,000,000.00 (one

billion ...

billion rupiah); and

- c. temporary termination to participate in OMS activities for 5 (five) consecutive business days if the Bank is imposed written warning for the third time in a period of 6 (six) months due to cancellation of OMS transaction with Bank Indonesia in accordance with applicable provisions.

Q. When will the sanctions be imposed?

- A. The sanctions, either written warning or financial penalty, will be imposed on 1 (one) business day after the cancellation of Repo SBSN settlement.

DPM